
ASIC secretly probed IAG's Greensill disclosure

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KEY POINTS

- ◆ FOI documents reveal a secret ASIC review of disclosure at insurer IAG.
- ◆ A fund manager query about Greensill Group exposure prompted review.
- ◆ ASIC concluded disclosure was appropriate then. IAG later listed lawsuit risk.

The corporate regulator secretly probed whether insurance giant IAG needed to disclose the risk of a potential costly blowout to controversial financing firm Greensill Group during a \$750 million capital raising, freedom of information documents reveal.

An email from a fund manager – who sources say is Bronte Capital founder John Hempton – had raised concerns about scant disclosure. But the Australian Securities and Investments Commission concluded no warning was warranted amid the November 2020 recapitalisation.

Lex Greensill's eponymous business collapsed in 2021 leaving litigation in its wake. Peter Braig

The situation has been reversed since, with IAG warning investors that legal claims worth up to \$7 billion [<https://www.afr.com/companies/financial-services/iag-discloses-7b-in-legal-claims-after-greensill-capital-collapse-20230821-p5dy4w>] have piled up from Greensill Group-linked insurance, although IAG argues it will not be out of pocket even if they are successful. IAG maintains its disclosures have been made at “appropriate times based on the available information”.

The probe is revealed in emails obtained exclusively by *The Australian Financial Review*. The emails also indicate mounting ASIC concerns related to insurers connected to Greensill, which was founded by Bundaberg-born entrepreneur Lex Greensill [<https://www.afr.com/companies/agriculture/ploughing-into-greensill-s-farm-connection-20210330-p57fdc>] and offered fast finance to businesses before collapsing in March 2021.

IAG, better known for underwriting Coles and NRMA car and home cover, is entangled because an insurance agency it half-owned had signed deals with Greensill Group. IAG sold the agency in April 2019, but the policies allegedly remained valid. IAG's dealings with Greensill Group had largely flown under the radar. And on the morning of November 20, 2020, IAG announced a \$750 million capital raising after losing a critical lawsuit about unrelated business-insurance claims from COVID-19.

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An associated presentation to investors listed risks. Nothing was mentioned about Greensill Group in that update, nor in earlier annual reports.

But freedom of information documents show at 5.46pm that Friday afternoon, the Australian Prudential Regulation Authority received a tip-off email under the subject line "Greensill and IAG".

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The email is redacted but a source with knowledge of the correspondence confirmed this was from Mr Hempton, who months later published on his own blog [<https://brontecapital.blogspot.com/2021/03/greensill-who-is-holding-bag.html>] a copy of that email specifically raising questions about IAG having not disclosed Greensill Group ties and a potential “multibillion dollar exposure”.

APRA forwarded the tip that Friday evening to ASIC, with the email chain running up to then-acting chairwoman Karen Chester. ASIC and APRA discussed the matter, including if “there is anything to disclose?”

By Monday, a manager in ASIC’s market surveillance team replied: “Based on the information provided below, I too agree that there is no need to pursue enquiries into the disclosure issue.”

ASIC was days later discussing Greensill again: this time, evaluating possible insurer fallout in an executive’s email ahead of an upcoming meeting of the Council of Financial Regulators. “ASIC has increased interest in the exposure of insurers to trade credit, particularly associated with Greensills,” it said.

In early March 2021, Greensill Group collapsed and Mr Hempton published his blog about IAG exposure. IAG shares cratered more than 10 per cent.

“Our surveillance team has been in discussions with ASX this morning, which has resulted in IAG going into a trading pause to respond to rumours in the market,” an ASIC email read.

IAG that afternoon told investors its own reinsurance protection [<https://www.afr.com/companies/financial-services/iag-shares-tank-amid-greensill-fears-20210309-p57935>] meant it would not be left holding the bill for any Greensill Group-related claims.

Since March 2021, IAG has in annual reports consistently disclosed potential litigation fallout from Greensill Group, including the risk that reinsurers might not make it whole.

IAG in subsequent litigation argued it was unaware some key insurance deals involving Greensill Group had been signed. IAG maintained an underwriter at its

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formerly owned insurance agency had gone beyond his authority to write deals – although that underwriter has maintained IAG was indeed aware of the policies.

ASIC told the *Financial Review* it was “monitoring developments in IAG’s legal proceedings” and it had made “significant inquiries” to understand the circumstances and fallout from Greensill Group’s collapse, including examining accounting and the role of third-party entities.

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